



ENERGY MANAGEMENT PACKAGE

Strengthening Client Relationships and Adding Value to Service Contracts with Small Buildings Customers through Energy Analysis and Management



ANALYZE USAGE & BENCHMARK

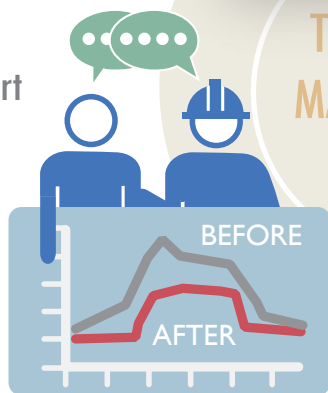


- Continue monitoring & analysis annually

- Compare performance with peers
- Analyze patterns in energy data
- Use free or low cost, available tools

CHECK & COMMUNICATE RESULTS

- Template report
- Goal setting guidance



THE ENERGY
MANAGEMENT
PACKAGE

BRIEF WALKTHROUGH

- 1 hour onsite walkthrough
- Identify operational changes
- Informed by usage analysis



- Contractor works with owner to complete efficiency measures



WHICH CUSTOMERS WOULD BE INTERESTED?

- Value-oriented customers (not price focused third of market)
- Customers motivated to save on utilities who are willing to follow the contractor's lead
- Data-driven customers
- Customers with sustainability/environmental objectives

WHY WOULD AN HVAC CONTRACTOR OFFER THIS PACKAGE?



How does it pencil out?

$\$300$ Recruitment of another customer
 $+\$200$ Premium on contract
 $\$500$ Total revenue
 $-\$400$ Labor cost (8hrs, mostly salaried staff)
 $\$100$ Profit per year for each customer

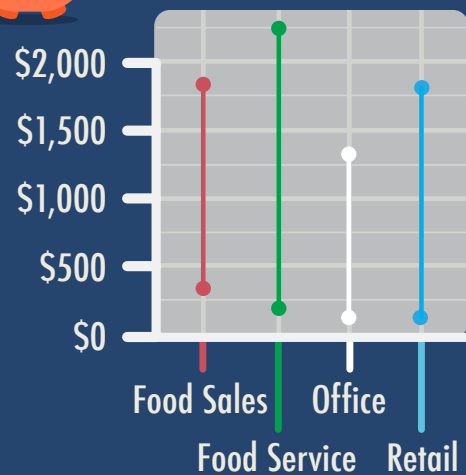
- Add value to service contracts through energy savings and strengthen customer relationships/dependence on your firm
- Differentiate your firm
- Gain credibility through program affiliation
- Identify additional service opportunities

BENEFITS TO THE CUSTOMER:

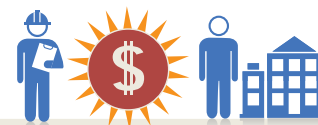
Interest in energy efficiency is rising amongst small business owners—and for good reason. In addition to **saving money and reducing environmental impacts**, energy upgrades can also **improve indoor environmental conditions** including thermal comfort and productivity. This package uses low or no-cost energy efficiency measures to save **3-5% on utility costs: a savings of \$200-900 per year on average**, depending on building size, type and climate.



Estimated Annual Savings



COST & REVENUE STRUCTURE:



The primary mechanism for an HVAC contractor to sell the Energy Management Package is to integrate the offering into a service or maintenance contract. Details of this model with estimates of costs and revenue streams are outlined below.

1 INTEGRATE INTO SERVICE CONTRACT: ★★★★★ \$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$

FOR THE CONTRACTOR:

\$100–300/YR

10-15% Premium on Service Contract

Increase to reduce risk, but lowers value to customer

+

\$100–600/YR

Program attracts or retains an additional customer for a \$1,500 service contract with 20% profit margin"

+

\$0–100/YR

May be small profit or cost-neutral

–

\$400–500/YR

Cost for analysis and walk-through: 8 hr/yr by salaried employees

=

NET PROFIT:
\$100–300/YR

PER CUSTOMER IN PROGRAM

Package costs may displace marketing costs while adding value

FOR THE CUSTOMER:

\$200–900/YR

3-5% estimated savings based on average consumption & prices

\$0–300/YR

Upgrades tend to have short payback times (0.5-2 yrs)

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\$100–300/YR

Additional cost of service contract

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ANNUAL SAVINGS:
UP TO \$550/YR

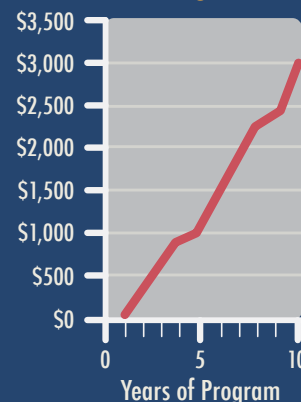
Continue monitoring to maintain savings



"Rather than charging \$1,500/yr, I would charge \$1,700 or \$1,750, and incorporate this into what I would offer them, because our pricing is competitive and you're adding value in the maintenance spiel and can monitor usage." —Contractor



Example Customer Savings To Date



Alternately, the Energy Management Package could be sold to customers as a stand-alone offering. While this option provides less risk to the HVAC contractor, it also likely provides less savings to the customer.

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PROVIDE AS STAND-ALONE OFFERING: ★★★★★ \$\$\$\$\$\$\$\$\$\$

FOR THE CONTRACTOR:

\$450–550/YR

OFFERING PRICE

Cover costs and profit margin

+

\$0–100/YR

Small profit or cost-neutral

–

\$400–500/YR

Cost for analysis and walkthrough: 8 hr/yr by salaried employees

=


NET PROFIT:

\$50–150/YR


PER CUSTOMER IN PROGRAM

FOR THE CUSTOMER:

As a separate offering, there is not expected to be net cost savings to the customer, except for the worst performing buildings which may have net savings of up to \$250/yr.



“Customers are with you for 7-9 years. At 20% margin....it gets to be complicated. If it were just based off the energy costs- the software, [the technician]’s hours, it doesn’t pencil out. We wouldn’t do it just for that. [Energy management] only makes sense if you then sign them up for a multi-year maintenance contract” —Contractor



Contractors we interviewed consistently identified the recruitment and retention of customers due to the value added to be the biggest benefit of offering energy management. The median cost to recruit a new small commercial customer was \$400-600 in our limited survey, so the estimate of \$100-600 benefit assumes offering the package twice might result in about one new customer. There is not expected to be a large profit from upgrades performed, because package measures are primarily operational and contractors generally reported small margins on labor. Labor costs assume most labor is done by salaried employees as technician rates tend to be high (\$100+/hr). Estimated savings are based on 5% annual energy savings using national average energy costs based on CBECS 2003 data. Upgrade costs will vary depending on the measures implemented. Package measures tend to have short payback period, and savings will likely persist over more than one year. However, regular monitoring is necessary to ensure savings persist.